

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name SOUTH HAVEN REGIONAL AIRPORT AUT	County ALLEGAN
Fiscal Year End 06/30/06	Opinion Date 12/07/06	Date Audit Report Submitted to State 03/14/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

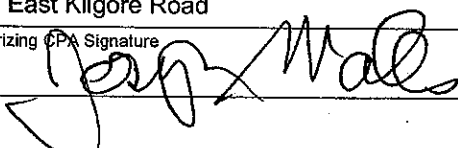
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City KALAMAZOO	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name JOSEPH M. WALLS		License Number 1101013696

*South Haven Regional Airport Authority*  
*Allegan County, Michigan*  
**FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' REPORT**  
*Year ended June 30, 2006*

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## CONTENTS

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	<i>Page</i>
<b>INDEPENDENT AUDITORS' REPORT</b>	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of net assets and governmental fund balance sheets	4
Statement of revenues, expenditures, and changes in fund balance/statement of activities	5
Notes to financial statements	6 - 8
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule - Operating Fund	9
<b>FEDERAL AWARDS</b>	
Schedule of expenditures of federal awards	10

## INDEPENDENT AUDITORS' REPORT

### Members of the Board South Haven Regional Airport Authority

We have audited the accompanying financial statements of the governmental activities and the major fund of the South Haven Regional Airport Authority as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the South Haven Regional Airport Authority as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on page 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The South Haven Regional Airport Authority has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

*Siegfried Crandall P.C.*

December 7, 2006

## **BASIC FINANCIAL STATEMENTS**

**South Haven Regional Airport Authority**

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**

June 30, 2006

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of net assets</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 250,618	\$ -	\$ 250,618
Accounts receivable, net	182,013	-	182,013
Inventory	23,130	-	23,130
Prepaid expense	6,028	-	6,028
Total current assets	461,789	-	461,789
Non-current assets:			
Capital assets not being depreciated - land	-	223,880	223,880
Capital assets, net of accumulated depreciation	-	4,072,366	4,072,366
Total non-current assets	-	4,296,246	4,296,246
Total assets	<u>\$ 461,789</u>	<u>\$ 4,296,246</u>	<u>4,758,035</u>
<b>LIABILITIES</b>			
Current liabilities - accounts payable	\$ 1,976	\$ -	1,976
<b>FUND BALANCE/NET ASSETS</b>			
Fund balance - unreserved, undesignated	<u>459,813</u>	<u>(459,813)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 461,789</u>		
Net assets:			
Investment in capital assets		4,296,246	4,296,246
Unrestricted		<u>459,813</u>	<u>459,813</u>
Total net assets		<u>\$ 4,756,059</u>	<u>\$ 4,756,059</u>
<b>Total fund balance</b>			\$ 459,813
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Capital assets are not financial resources and, therefore, not reported in the fund			<u>4,296,246</u>
<b>Total net assets</b>			<u>\$ 4,756,059</u>

See notes to financial statements

**South Haven Regional Airport Authority****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE/STATEMENT OF ACTIVITIES***Year ended June 30, 2006*

	<u>Operating Fund</u>	<u>Adjustments</u>	<u>Statement of activities</u>
<b>EXPENDITURES/EXPENSES</b>			
Public works	\$ 219,323	\$ 116,834	\$ 336,157
Capital outlay	<u>29,952</u>	<u>(29,952)</u>	<u>-</u>
Total expenditures/expenses	<u>249,275</u>	<u>86,882</u>	<u>336,157</u>
<b>PROGRAM REVENUES</b>			
Intergovernmental	211,971	-	211,971
Rentals	62,550	-	62,550
Other	<u>107,237</u>	<u>-</u>	<u>107,237</u>
Total program revenues	<u>381,758</u>	<u>-</u>	<u>381,758</u>
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>385,585</u>	<u>385,585</u>
<b>NET PROGRAM REVENUES</b>	<u>132,483</u>	<u>298,703</u>	<u>431,186</u>
<b>GENERAL REVENUES</b>			
Interest	<u>1,351</u>	<u>-</u>	<u>1,351</u>
<b>NET CHANGE IN FUND BALANCE/NET ASSETS</b>	133,834	298,703	432,537
<b>FUND BALANCE/NET ASSETS - BEGINNING</b>	<u>325,979</u>	<u>3,997,543</u>	<u>4,323,522</u>
<b>FUND BALANCE/NET ASSETS - ENDING</b>	<u>\$ 459,813</u>	<u>\$ 4,296,246</u>	<u>\$ 4,756,059</u>
Net change in fund balance			\$ 133,834
Amounts reported in the statement of activities are different because:			
Capital assets:			
Assets acquired			416,387
Provision for depreciation			<u>(117,684)</u>
Change in net assets			<u>\$ 432,537</u>

*See notes to financial statements*

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the South Haven Regional Airport Authority (the Authority) conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies:

*a) Reporting entity:*

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Authority established by Casco Township, City of Bangor, City of South Haven, Covert Township, Geneva Township, and South Haven Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Authority has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a blended or discretely-presented component unit in the Authority's financial statements.

The City of South Haven has transferred ownership of the South Haven Municipal Airport and all airport facilities owned by the City to the Authority. In the event the Authority ceases to exist, or if the land and other assets are no longer used in airport operations, title to all properties shall revert to the City of South Haven.

*b) Basis of accounting:*

The statement of net assets and the statement of activities are reported using the economic resources, measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by provider have been met.

The Operating Fund financial statements are reported using the current financial resources measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

*c) Assets and liabilities:*

- i) Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.
- ii) Capital assets* - Capital assets, which include land, runways, buildings, equipment, and vehicles, are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Assets and liabilities (continued):*

- ii) Capital assets (continued)* - Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Airport facility	40 - 50 years
Runways and improvements	40 - 50 years
Equipment	10 - 20 years
Vehicles	5 - 10 years

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - The budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by function, department, and line items. The legal level of budgetary control adopted by the governing body is the functional level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**NOTE 3 - CASH:**

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Authority's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Authority will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2006, \$142,786 of the Authority's bank balances of \$259,159 was exposed to custodial credit risk because it was uninsured.

The Authority believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

**South Haven Regional Airport Authority**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 4 - CAPITAL ASSETS:**

Capital asset activity of the Authority for the current year was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 83,880	\$ 140,000	\$ -	\$ 223,880
Capital assets being depreciated:				
Buildings	749,523	-	-	749,523
Runways and improvements	3,808,773	276,387	-	4,085,160
Equipment	154,224	-	-	154,224
Vehicles	35,000	-	-	35,000
Subtotal	4,747,520	276,387	-	5,023,907
Less accumulated depreciation for:				
Buildings	(149,605)	(15,532)	-	(165,137)
Runways and improvements	(621,411)	(90,028)	-	(711,439)
Equipment	(47,616)	(8,974)	-	(56,590)
Vehicles	(15,225)	(3,150)	-	(18,375)
Subtotal	(833,857)	(117,684)	-	(951,541)
Total capital assets being depreciated, net	3,913,663	158,703	-	4,072,366
Governmental activities capital assets, net	\$ 3,997,543	\$ 298,703	\$ -	\$ 4,296,246

**NOTE 5 - RISK MANAGEMENT:**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of, assets, errors and omissions, injuries to employees, and natural disasters. The Authority carries commercial insurance for the above risks of loss. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal periods.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**South Haven Regional Airport Authority**  
**BUDGETARY COMPARISON SCHEDULE - Operating Fund**  
Year ended June 30, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ 190,981	\$ 211,971	\$ 20,990
Interest and rentals	-	62,571	63,901	1,330
Other	-	54,377	107,237	52,860
Total revenues	-	307,929	383,109	75,180
<b>EXPENDITURES</b>				
Public works:				
Cost of sales	-	98,997	86,812	12,185
Payroll and fringe benefits	-	51,368	52,544	(1,176)
Operating supplies and expenses	-	22,627	17,050	5,577
Repairs and maintenance	-	43,897	32,645	11,252
Professional services	-	4,560	4,050	510
Utilities	-	8,700	8,693	7
Insurance	-	17,175	17,529	(354)
Total public works	-	247,324	219,323	28,001
Capital outlay	-	31,110	29,952	1,158
Total expenditures	-	278,434	249,275	29,159
<b>NET CHANGES IN FUND BALANCE</b>	-	29,495	133,834	104,339
<b>FUND BALANCE - BEGINNING</b>	<u>325,979</u>	<u>325,979</u>	<u>325,979</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 325,979</u>	<u>\$ 355,474</u>	<u>\$ 459,813</u>	<u>\$ 104,339</u>

## **FEDERAL AWARDS**

**South Haven Regional Airport Authority**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2006**

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<u>Federal grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Federal expenditures</u>
Federal Aviation Administration:		
Passed through Michigan Department of Transportation:		
Airport Improvement Program	20.106	\$333,409

NOTES: 1) The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

2) The Airport Improvement Program was administered by the Michigan Department of Transportation; therefore, it was not subject to the requirements of OMB Circular A-133.

**Board of Trustees  
South Haven Area Airport Authority**

In planning and performing our audit of the governmental activities and the major funds of the South Haven Area Airport Authority for the year ended June 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the following condition is a material weakness.

- The Authority does not have adequate procedures in place to ensure that its constituent units of government are billed in a timely manner, and that amounts billed have been collected. This condition represents a lack of a basic control procedure.

This report is intended for the information of the Authority Board, management, and the Michigan Department of Treasury.

*Siegfried Crandall P.C.*

December 7, 2006